

**AUDITED FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTAL INFORMATION  
OTHER FINANCIAL INFORMATION  
AND SUPPLEMENTAL REPORTS**

**COMMUNITY COLLEGE DISTRICT  
OF GOGEBIC COUNTY  
IRONWOOD, MICHIGAN**

**June 30, 2008**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Community College District of Gogebic County  
Ironwood, Michigan

We have audited the accompanying financial statements of the business type activities of Community College District of Gogebic County and its discretely presented component unit, Gogebic Community College Foundation as of June 30, 2008 and 2007 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the business type activities of Community College District of Gogebic County and its discretely presented component unit as of June 30, 2007 and 2006, and the changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008, on our consideration of Community College District of Gogebic County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important in assessing the results of our audit.

The Management's Discussion and Analysis presented on pages 5 through 13 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Community College District of Gogebic County's basic financial statements. The accompanying Other Financial Information, which includes the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Joki, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
November 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2008

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**Management's Discussion and Analysis**

The discussion and analysis of Community College District of Gogebic County's financial statements provides an overview of the College's financial activities for the year ended June 30, 2008. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

**Using this Report**

In June 1999, the Governmental Accounting Standards Board (GASB) released statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*. Statement No. 34 requires a comprehensive look at the entity as a whole, including capitalization and depreciation of assets. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies these standards to public colleges and universities. The State of Michigan has adopted these standards and has revised and issued the *Manual for Uniform Financial Reporting for Michigan Public Community Colleges, 2001*.

In May 2002, GASB released Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Statement No. 39 requires that separate legal entities which are associated with a primary government that meet certain criteria be included with the financial statements of the Primary Reporting Unit. In compliance with this statement, the Gogebic Community College Foundation is reported as a component unit of the College and its financial activity is discretely reported herein. Separately issued financial statements for the Foundation are also available from the Foundation office.

This annual financial report includes the report of independent auditors, management's discussion and analysis, the basic financial statements in the format described above, notes to the financial statements, other information and supplemental reports.

**Financial Highlights**

The College's financial position remained strong at June 30, 2008, with assets of \$14.4 million and liabilities of \$5.2 million. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, are \$9.2 million. The net assets consist of \$8.4 million invested in capital assets, net of related debt, \$.30 million restricted and \$.56 million unrestricted. Net assets increased for the year by \$213,996.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole. These statements report the College's financial position as of June 30, 2008 and 2007 and changes in net assets for the years then ended. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Gogebic Community College's operating results.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private sector entities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **Condensed Statement of Net Assets**

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 770,449	\$ 675,374
Receivables	1,108,143	1,037,151
Other assets	<u>257,866</u>	<u>299,104</u>
TOTAL CURRENT ASSETS	\$ 2,136,458	\$ 2,011,629
NONCURRENT ASSETS		
Property and equipment, net	<u>12,312,228</u>	<u>12,576,445</u>
TOTAL ASSETS	<u>\$ 14,448,686</u>	<u>\$ 14,588,074</u>
CURRENT LIABILITIES		
Note payable	\$ 600,000	\$ 750,000
Other current liabilities	629,711	431,241
Current portion of long-term debt	<u>403,176</u>	<u>396,013</u>
TOTAL CURRENT LIABILITIES	\$ 1,632,887	\$ 1,577,254
Long-term debt, net	<u>3,529,331</u>	<u>3,938,348</u>
TOTAL LIABILITIES	<u>\$ 5,162,218</u>	<u>\$ 5,515,602</u>
TOTAL NET ASSETS	<u>\$ 9,286,468</u>	<u>\$ 9,072,472</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### **Condensed Statement of Revenues, Expenses and Changes in Net Assets**

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 3,199,406	\$ 3,066,594
Operating expenses	<u>(9,582,818)</u>	<u>(9,151,697)</u>
OPERATING LOSS	\$ (6,383,412)	\$ (6,085,103)
Nonoperating revenue	<u>6,597,408</u>	<u>6,734,846</u>
INCOME BEFORE OTHER REVENUE AND TRANSFERS	\$ 213,996	\$ 649,743
Other revenue and transfers	<u></u>	<u>(386,204)</u>
INCREASE IN NET ASSETS	\$ 213,996	\$ 263,539
Net Assets - Beginning of year	<u>9,072,472</u>	<u>8,808,933</u>
NET ASSETS - END OF YEAR	<u>\$ 9,286,468</u>	<u>\$ 9,072,472</u>

### **Operating Revenues**

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, Lindquist Student Center, Student Housing, Snack Bar, and Bookstore operations. In addition, certain federal, state and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

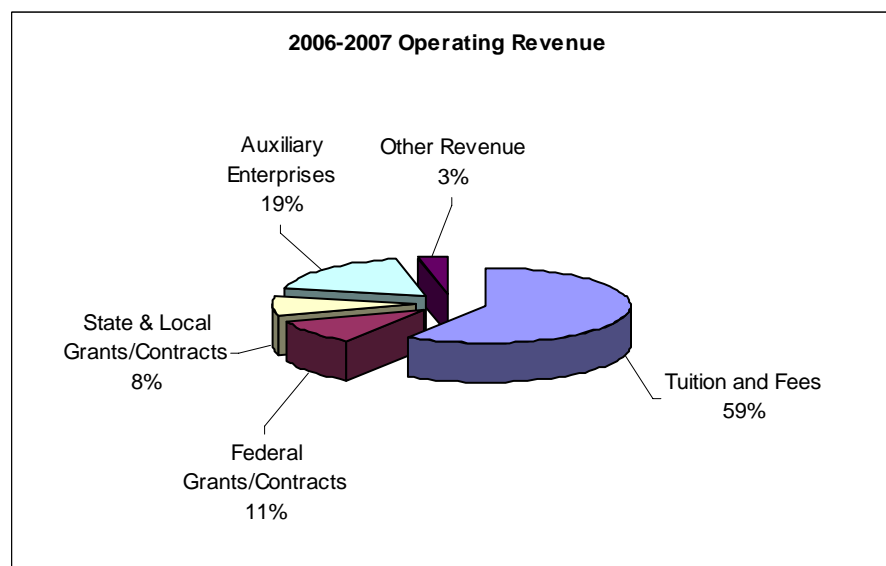
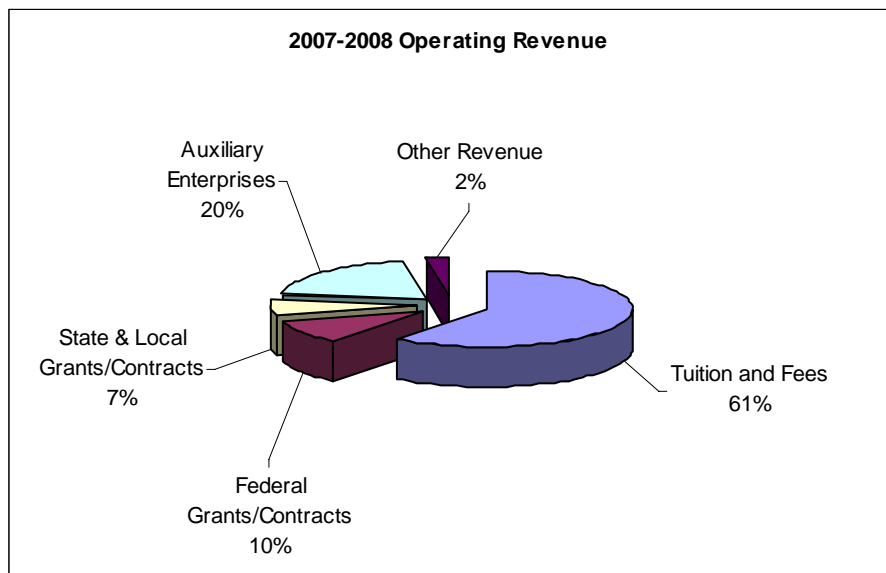
Operating revenue changes were the result of the following factors:

- For the year ended June 30, 2008, student tuition and fee revenue increased \$187,893 as a result of a Board approved tuition increase of \$2 per credit hour for all categories of students and a 7% increase in enrollment. The Board also approved fee increases for a small number of courses.
- For the year ended June 30, 2007, student tuition and fee revenue increased \$404,000 as a result of the Board-approved tuition increase of \$3 per credit hour for all categories of students. The Board also approved fee increases for a small number of courses.
- For the year ended June 30, 2008, auxiliary services revenues increased relatively proportional to expenses with the year and resulted in a \$7,412 decrease in fund balance.
- For the year ended June 30, 2007, auxiliary services revenues increased by approximately \$242,000 due to increased sales in the Snack bar, a 19% increase in Bookstore sales coupled with only an 8% increase in expenses and the implementation of housing on campus generating about \$150,000.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Operating Revenues (Continued)

The following is a graphic illustration of operating revenues by source:



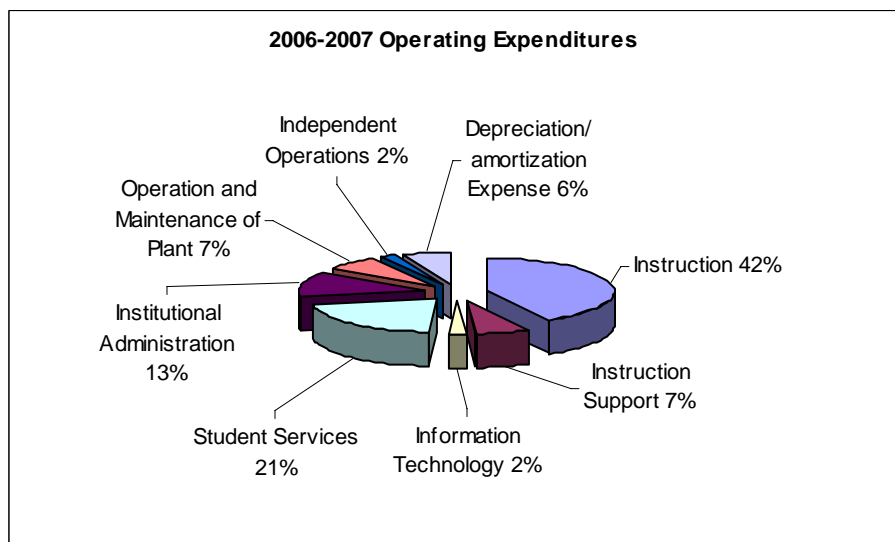
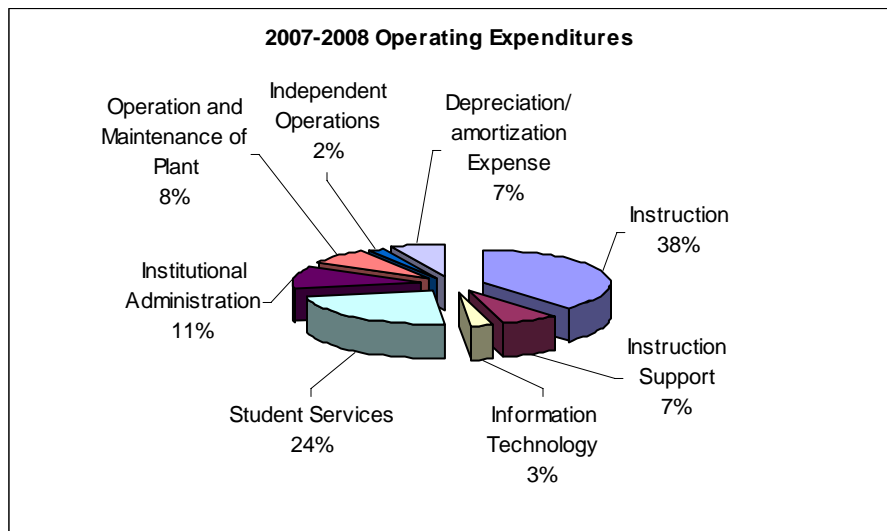


## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. The operating expenses of the General Fund for the year ended June 30, 2008 increased \$279,383 to \$7,200,048. The operating expenses of the General Fund for the year ended June 30, 2007 increased \$303,936 to \$6,920,665. Instruction, Instructional Support, and Student Services account for 69% and 70% of all General Fund expenses respectively

The following is a graphic illustration of the operating expenses by function:



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **Non-operating Revenues**

Non-operating revenues are all revenue sources that are primarily non-exchange in nature. They consist of state appropriations, property tax revenue, investment income, and grants and contracts that do not require any services to be performed, in addition to the new clarification of GASB 34/35 which reclassifies Pell grants as non-operating revenue

Non-operating revenue changes were the result of the following factors:

- State appropriations were increased by \$163,300. The base appropriations for the College increased due to the addition of a one time PILT adjustment.
- The taxable value of property within the Community College district increased by 5.37%, contributing an additional \$72,190 in property tax revenue.
- The current year Federal Pell funds were reclassified as non-operating revenue and last fiscal year was also restated to show comparative statements.

### **Other Revenue**

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples are additions to permanent endowments and transfers in (out) from other funds.

### **Statement of Cash Flows**

The Statement of Cash Flows primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period. The Statement of Cash Flows also helps users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its need for external financing

The College's cash position increased during the year by \$68,936, with cash and cash equivalents of \$665,853 as of June 30, 2008. Details of how the decrease occurred are contained in the Statement of Cash Flows.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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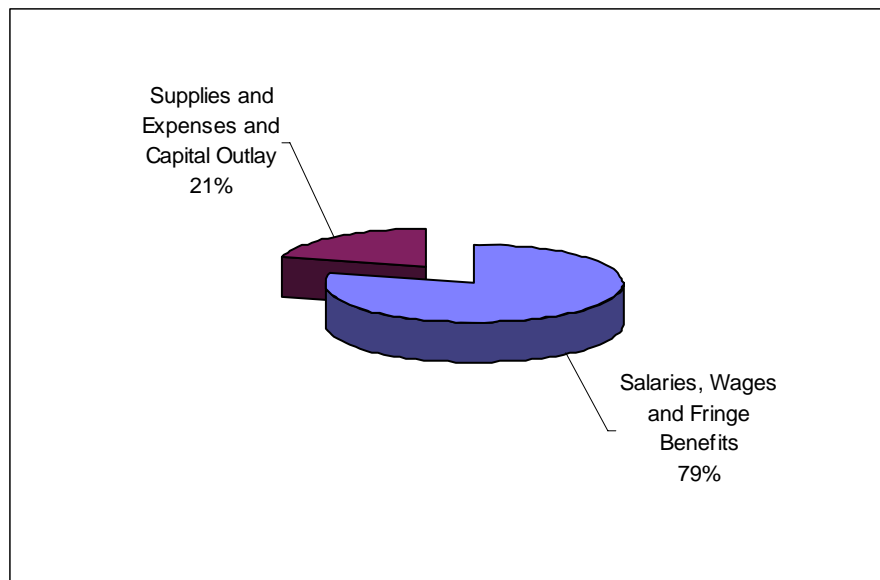
### **General Fund Expenditures**

General Fund salaries and wages increased \$84,704 for the year ended June 30, 2008. Fringe benefits increased by \$11,666 for the year. This amounted to 2% and less than 1% increases respectively. Following are contributing factors for the small increases:

- The State's mandated contribution rate for the College to the state retirement system decreased by 1.02%
- The addition of an optional retirement plan was implemented with a few employees moving over to the new option reducing the contribution of the college by 1.72%
- The college also had salary savings due to the Presidency be vacated during the fiscal year

Since General Fund salaries, wages and fringe benefits accounted for 79% and 81% of total expenditures for the years ending June 30, 2008 and 2007, the College maintains a prudent watch over these categories and has and will continue a concerted effort to keep these costs contained and still maintain financial viability while continuing the mission of the College.

The following is a graphic illustration of the breakdown of total General Fund expenditures for the year ended June 30, 2008.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2008, the College had \$12.2 million invested in capital assets, net of accumulated depreciation of \$9.5 million. Capital investments for the year were \$389,324 and depreciation charges totaled \$647,534. Details of these assets as of June 30, 2008 are outlined below.

	<u>Balance June 30,</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 95,968	\$ 95,968
Land improvements	1,346,018	1,330,628
Buildings	15,484,832	15,484,832
Equipment	<u>4,670,427</u>	<u>4,442,903</u>
	\$ 21,597,245	\$ 21,354,331
Accumulated depreciation:		
Land improvements	\$ 693,391	\$ 652,176
Buildings	5,598,511	5,292,449
Equipment	<u>3,166,224</u>	<u>2,955,917</u>
	\$ 9,458,126	\$ 8,900,542
Construction in progress	<u>56,460</u>	<u>                    </u>
	<u>\$ 12,195,579</u>	<u>\$ 12,453,789</u>

The majority of the College's investment in capital assets is in buildings. Buildings have a value of \$15.5 million before depreciation. College buildings have been well maintained with several having undergone major renovation and repairs in recent years. These buildings have significant useful lives remaining and will provide functional use for many years to come.

The College has invested \$4.7 million in furniture, fixtures, equipment, library materials and vehicles, listed above as equipment. Although a significant portion of these assets have been fully depreciated, these assets continue to provide functional benefit and utility for the College in both instructional and non-instructional areas.

During the year ended June 30, 2007, the College completed a \$1 million dollar special maintenance project funded by the State of Michigan and a \$2.7 million dormitory project funded by revenue bonds.

#### **Debt**

As of June 30, 2008, the College had long term debt totaling \$3.9 million. This amount consists of \$.9 million in bonds outstanding, \$2.65 million of revenue bonds, \$.35 million in retirement incentives payable to employees and capital leases payable. \$460,655 was paid on this debt during the year ended June 30, 2008.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **Economic Factors That Will Affect The Future**

The economic position of the College is closely tied to that of the State of Michigan with appropriations amounting to 51% of its General Fund revenues. Because of limited economic growth and other external economic influences on the State of Michigan, the community college appropriations since 2002 have been reduced by 20%. This reduction in funding is the highest among any of the State's budget areas and yet the requests for services continue to grow, posing challenges for Gogebic Community College and all other Michigan community colleges. Michigan's economy is currently in a downturn and as revenues and employment recede, the funding from the state to support education is also constrained.

Trends also show that local graduating class sizes are on the decline, which directly impacts the enrollment numbers of Gogebic Community College. To offset this, the college has constructed a residential housing complex on campus and is now taking advantage of being able to bring students from a distance to campus. Additionally, there is a great need for nursing related occupations in the marketplace and the college has added 20 more nursing slots to our nursing program.

Gogebic Community College is striving to become more employment market sensitive and is investing time and resources to determine the programs and services that need to be invested in to become the regional educational learning resource center. Investing in these identifiable programs will make the College more profitable and bring resources to students, staff, and community members that were never before available.

BASIC  
FINANCIAL  
STATEMENTS

STATEMENTS OF  
COMMUNITY COLLEGE DISTRICT

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	June 30,		June 30,	
	2008	2007	2008	2007
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash	\$ 665,853	\$ 596,917	\$ 54,829	\$ 103,444
Investments	104,596	78,457	1,369,926	1,395,799
State appropriation receivable	765,037	677,745		
Property taxes receivable (net of allowance: 2008 - \$4,722; 2007 - \$4,816)	7,835	7,780		
Other accounts receivable	335,271	351,626		2,000
Inventories	154,918	130,885		
Due from Foundation		2,000		
Prepaid expenses and other assets	<u>102,948</u>	<u>166,219</u>		
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 2,136,458</b>	<b>\$ 2,011,629</b>	<b>\$ 1,424,755</b>	<b>\$ 1,501,243</b>
<b>NONCURRENT ASSETS</b>				
Bond issuance costs, net of amortization	\$ 116,649	\$ 122,656		
Capital assets, net of accumulated depreciation	<u>12,195,579</u>	<u>12,453,789</u>	<u>\$ 6,369</u>	<u>\$ 7,524</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b>\$ 12,312,228</b>	<b>\$ 12,576,445</b>	<b>\$ 6,369</b>	<b>\$ 7,524</b>
<b>TOTAL ASSETS</b>	<b><u>\$ 14,448,686</u></b>	<b><u>\$ 14,588,074</u></b>	<b><u>\$ 1,431,124</u></b>	<b><u>\$ 1,508,767</u></b>

## NET ASSETS

## OF GOGEBIC COUNTY

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	June 30,		June 30,	
	2008	2007	2008	2007
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 183,649	\$ 76,902		
Salaries, wages and related liabilities payable	378,390	273,787		
Interest payable	12,833	46,175		
Note payable	600,000	750,000		
Due to College			\$ 2,000	
Due to depositors and other liabilities	34,842	12,866		
Deferred revenue	19,997	21,511		
Current portion of long-term debt	<u>403,176</u>	<u>396,013</u>		
TOTAL CURRENT LIABILITIES	\$ 1,632,887	\$ 1,577,254	\$ 2,000	
LONG-TERM DEBT				
Long-term debt, net of current portion	<u>3,529,331</u>	<u>3,938,348</u>		
TOTAL LIABILITIES	\$ 5,162,218	\$ 5,515,602	\$ 2,000	
NET ASSETS				
Invested in capital assets, net of related debt	\$ 8,311,072	\$ 8,336,584	\$ 6,369	\$ 7,524
Net assets restricted for:				
Instructional Support	166,355	26,904		
Expendable scholarships	41,770	18,338		
Other	91,163	150,665		
Temporarily restricted Foundation assets			17,255	11,244
Permanently restricted Foundation assets			1,363,650	1,415,839
Unrestricted	<u>676,108</u>	<u>539,981</u>	<u>43,850</u>	<u>72,160</u>
TOTAL NET ASSETS	\$ <u>9,286,468</u>	\$ <u>9,072,472</u>	\$ <u>1,431,124</u>	\$ <u>1,506,767</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$14,448,686</u>	<u>\$14,588,074</u>	<u>\$1,431,124</u>	<u>\$1,508,767</u>

The accompanying notes are an integral part of the financial statements.



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

	Community College District of Gogebic County <u>Year ended June 30,</u>		Gogebic Community College Foundation (Component Unit) <u>Year ended June 30,</u>	
	2008	2007	2008	2007
<b>OPERATING REVENUES</b>				
Tuition and fees (net of scholarship allowances: 2008 - \$1,336,583; 2007 - \$1,161,950)	\$ 1,378,697	\$ 1,345,153		
Federal grants and contracts	439,261	451,391		
State and local grants and contracts	304,857	350,097		
Intermediate School District rent	22,466	18,217		
Sales and Services of Education Activities	71,375	82,449		
Sales and Services of Auxiliary Enterprises	916,178	783,980		
Other revenues	<u>66,572</u>	<u>35,307</u>	\$ 150	\$ 16,950
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 3,199,406</b>	<b>\$ 3,066,594</b>	<b>\$ 150</b>	<b>\$ 16,950</b>
<b>OPERATING EXPENSES</b>				
Instruction	\$ 3,671,293	\$ 3,562,048		
Instruction support	701,017	623,744		
Information Technology	268,592	202,860		
Student services	2,319,895	2,106,490	\$ 54,331	\$ 48,235
Institutional administration	1,021,328	1,221,891	120,528	122,021
Operation and maintenance of plant	740,697	657,055		
Independent operations	206,455	185,008		
Depreciation and amortization expense, unallocated	<u>653,541</u>	<u>592,601</u>		
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 9,582,818</b>	<b>\$ 9,151,697</b>	<b>\$ 174,859</b>	<b>\$ 170,256</b>
<b>OPERATING LOSS</b>	<b>\$ (6,383,412)</b>	<b>\$ (6,085,103)</b>	<b>\$ (174,709)</b>	<b>\$ (153,306)</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>				
State appropriation	\$ 4,207,700	\$ 4,044,400		
State special maintenance grant		599,139		
Federal grants and contracts	1,231,705	1,044,455		
Property tax levy	1,214,527	1,142,337		
Gifts	119,423	80,524	\$ 176,228	\$ 168,973
Investment (loss) income	33,400	40,117	(77,162)	144,692
Interest on capital asset related debt	<u>(209,347)</u>	<u>(216,126)</u>		
<b>NET NONOPERATING REVENUE</b>	<b>\$ 6,597,408</b>	<b>\$ 6,734,846</b>	<b>\$ 99,066</b>	<b>\$ 313,665</b>
<b>INCOME BEFORE OTHER REVENUE AND TRANSFERS</b>	<b>\$ 213,996</b>	<b>\$ 649,743</b>	<b>\$ (75,643)</b>	<b>\$ 160,359</b>

# STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)

	Community College District of Gogebic County <u>Year ended June 30,</u>		Gogebic Community College Foundation (Component Unit) <u>Year ended June 30,</u>	
	2008	2007	2008	2007
OTHER REVENUE AND TRANSFERS -				
Transfers in (out)	<u>                    </u>	<u>(386,204)</u>	<u>                    </u>	<u>386,204</u>
INCREASE IN NET ASSETS	\$ 213,996	\$ 263,539	\$ (75,643)	\$ 546,563
NET ASSETS - BEGINNING OF YEAR	<u>9,072,472</u>	<u>8,808,933</u>	<u>1,506,767</u>	<u>960,204</u>
NET ASSETS - END OF YEAR	<u>\$ 9,286,468</u>	<u>\$ 9,072,472</u>	<u>\$ 1,431,124</u>	<u>\$ 1,506,767</u>

The accompanying notes are an integral part of the financial statements.

# STATEMENTS OF CASH FLOWS

## COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	Year ended June 30,		Year ended June 30,	
	2008	2007	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees	\$ 1,352,212	\$ 1,263,670		
Grants and contracts	787,853	798,078		
Auxiliary enterprise and other revenues	1,074,182	956,488	\$ 150	\$ 16,950
Payments to suppliers and employees	<u>(8,826,689)</u>	<u>(8,580,590)</u>	<u>(68,456)</u>	<u>(79,858)</u>
NET CASH USED IN OPERATING ACTIVITIES	\$ (5,612,442)	\$ (5,562,354)	\$ (68,306)	\$ (62,908)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State appropriations	\$ 4,120,408	\$ 5,078,948		
Property tax collections	1,214,472	1,139,106		
Gifts	119,423	80,524	\$ 176,228	\$ 168,973
Federal grants and contracts	1,231,705	1,044,455		
Student organization and agency transactions	<u>21,976</u>	<u>3,358</u>		
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ 6,707,984	\$ 7,346,391	\$ 176,228	\$ 168,973
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of land, buildings and equipment	\$ (330,523)	\$ (2,364,107)		
Principal paid on long-term debt	(460,655)	(451,258)		
Interest paid	<u>(242,689)</u>	<u>(186,147)</u>		
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,033,867)	\$ (3,001,512)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment activity (net)	\$ (26,139)	\$ (12,905)	\$ (261,785)	\$ (213,424)
Investment income	<u>33,400</u>	<u>40,117</u>	<u>105,248</u>	<u>45,272</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 7,261	\$ 27,212	\$ (156,537)	\$ (168,152)
NET INCREASE (DECREASE) IN CASH	\$ 68,936	\$ (1,190,263)	\$ (48,615)	\$ (62,087)
Cash at beginning of year	<u>596,917</u>	<u>1,787,180</u>	<u>103,444</u>	<u>165,531</u>
CASH AT END OF YEAR	<u>\$ 665,853</u>	<u>\$ 596,917</u>	<u>\$ 54,829</u>	<u>\$ 103,444</u>

# STATEMENTS OF CASH FLOWS (CONTINUED)

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	<u>Year ended June 30,</u>		<u>Year ended June 30,</u>	
	2008	2007	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating loss	\$ (6,383,412)	\$ (6,085,103)	\$ (251,871)	\$ (8,614)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	\$ 653,541	\$ 592,601	\$ 1,155	\$ 1,170
Realized gain on investments			(206)	(849)
Unrealized (gain) loss on investments			182,616	(98,571)
Deferred compensation accrued		72,000		
(Increase) decrease in current assets:				
Accounts receivable	16,355	516,158	2,000	3,427
Inventories	(24,033)	(6,510)		
Prepaid expenses and other assets	63,271	(64,737)		
Due from Foundation	2,000	(2,000)		
Due from College				38,529
Increase (decrease) in current liabilities:				
Accounts payable	106,747	(45,320)		
Salaries, wages and related liabilities payable	104,603	(72,086)		
Note payable	(150,000)	135,689		
Due to Foundation		(38,529)		
Due to College			(2,000)	2,000
Deferred revenue	(1,514)	(564,517)		
Total adjustments	\$ 770,970	\$ 522,749	\$ 183,565	\$ (54,294)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (5,612,442)</u>	<u>\$ (5,562,354)</u>	<u>\$ (68,306)</u>	<u>\$ (62,908)</u>
<b>Supplemental schedule of noncash capital and related financing activities:</b>				
Capital lease obligation to purchase equipment	\$ 58,801	\$ 474,674		
Endowment investments transferred (to)/from Foundation/College		\$ (386,204)		\$ 386,204

The accompanying notes are an integral part of the financial statements.

NOTES  
TO  
FINANCIAL  
STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2008

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles outlined in the *Manual for Uniform Financial Reporting--Michigan Public Community Colleges, 2001*.

Reporting Entity and Basis of Presentation – Community College District of Gogebic County (the College) is a community college district organized under Act No. 188, Michigan Public Acts of 1954, as amended, the boundaries of which are coterminous with the boundaries of the County of Gogebic, Michigan.

The College reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Reporting for business-type activities is based on all applicable GASB pronouncements, as well as certain applicable Financial Accounting Standards Board pronouncements, except for those pronouncements that conflict with GASB pronouncements.

The accompanying financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one component unit.

The Gogebic Community College Foundation is a separate legal entity established as a 501(c)(3) corporation formed for the purpose of receiving funds for the sole benefit of the College and its students. The College provides accounting services and office space to the Foundation. The assets and activity of the Foundation are included in the financial statements of the College as a discretely presented component unit. The separately issued financial statements of the Foundation can be obtained by contacting its Executive Director at the Foundation office at the College.

Basis of Accounting – The financial statements of the College have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash and Investments - Cash includes cash on hand, demand deposits and certificates of deposit with a maturity date of less than three months. Investments include certificates of deposit with a maturity date of more than three months, mutual funds and U.S. government securities.

State of Michigan statutes authorize investments in direct obligations of the United States or an agency of the United States; banks which are a member of the federal deposit insurance corporation; commercial paper that is supported by an irrevocable letter of credit issued by an eligible bank; commercial paper of corporations located in the State of Michigan rated prime by at least one of the standard rating services; bankers' acceptances of United States banks; certain mutual funds and repurchase agreements.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Assets with a stated cost or a market value at date of gift of \$5,000 or over will be capitalized and depreciated. Office equipment items such as personal computers, printers, faxes, etc. shall be capitalized and depreciated, regardless of cost. Major renovations of \$20,000 or more to buildings or other long-lived assets shall be considered for capitalization and depreciation. The Dean of Business Services has final authority over capitalization determinations. Depreciation is provided for on the straight-line method over the useful lives of the assets, as follows:

Land improvements	20 years
Buildings	20-50 years
Equipment	5-15 years

Capitalized Interest – interest incurred on debt related to the construction of fixed assets net of interest earned on the funds prior to distribution is capitalized as part of the assets.

Inventories and Prepaid Expenses – Inventories are stated at cost and consist principally of supplies and merchandise for sale in the Auxiliary Activities Fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

Property Taxes – Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the College by the Cities of Bessemer, Ironwood and Wakefield and the Townships of Bessemer, Erwin, Ironwood, Marenisco, Wakefield and Watersmeet. Each unit forwards the taxes to the County of Gogebic for disbursement to the College. College taxes are levied on July 1 and must be paid to collecting units by February 15th.

Delinquent real property taxes of the College are purchased annually by the County of Gogebic.

Unemployment Insurance – The College reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the College.

Deferred Revenues – Revenues received prior to the College's fiscal year end relating to future periods are recorded as deferred revenues. Deferred revenues relate principally to tuition and unearned grant revenues.

Investment in Capital Assets, Net of Related Debt – This is a portion of the net assets of the College that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets – Net assets are restricted when there are constraints on their use by external parties or by statute.

Unrestricted Net Assets – Net assets not meeting either criteria above are considered unrestricted.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE B – CASH AND INVESTMENTS

Cash and investments consisted of the following:

	<u>College</u>		<u>Foundation</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Cash	\$ 665,853	\$ 596,917	\$ 54,829	\$ 103,444
Investments:				
Certificates of deposit	\$ 104,596	\$ 78,457		
Mutual Funds			\$ 1,369,926	\$ 1,395,799
	<u>\$ 104,596</u>	<u>\$ 78,457</u>	<u>\$ 1,369,926</u>	<u>\$ 1,395,799</u>
	<u>\$ 770,449</u>	<u>\$ 675,374</u>	<u>\$ 1,424,755</u>	<u>\$ 1,499,243</u>

During the year ended June 30, 2004, the College Board of Trustees passed a resolution whereby the assets in the College's endowment fund would be transferred to the Foundation to be invested under the Foundation's investment policy. This process was completed in the year ended June 30, 2007.

The College, due the majority of its funds being invested in demand accounts, has authorized the Dean of Business to invest only in accordance with State of Michigan statutes.

The Foundation's investment policy objectives are to invest long-term in a manner that will provide current income to support its current goals and objectives, preserve and maintain the principal value of assets and optimizing the total rate of return on investable assets. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation Board of Directors began utilizing the services of an investment manager with guidelines of investing one-half of the equity in fixed income securities and one-half in equity investments, with a ten percent fluctuation allowed, as a way to minimize the interest rate risk.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE B – CASH AND INVESTMENTS (CONTINUED)

#### Cash and Certificates of Deposit

Deposits were made in accordance with State of Michigan statutes and under authorization of the College Board of Trustees. Deposits are carried at cost as listed above. Following is a summary of the bank balances at June 30, 2008 and 2007.

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Deposits in banks insured by federal depository insurance:		
Insured	\$ 226,354	\$ 146,294
Uncollateralized amounts exceeding insurance limits and uninsured money market funds	<u>610,070</u>	<u>599,064</u>
	<u>\$ 836,424</u>	<u>\$ 745,358</u>

The College places its deposits with what it believes to be high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the College, subject to minimal custodial credit risk.

#### Investments

All investments were made in accordance with State of Michigan statutes and under authorization of the College Board of Trustees. The certificates of deposit, corporate and U.S. government securities and mutual funds are stated at the market value in the statement of net assets. The cost, credit quality rating and maturity dates for various individual investments was not available.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE C – ACCOUNTS RECEIVABLE

The College extends credit to students who will be having their expenses paid by scholarships, grants or entitlements. The direct charge-off method is used for recognizing uncollectible accounts.

Accounts receivable were comprised of the following at June 30, 2008:

	General Fund	Designated Fund	Auxiliary Enterprise Fund	Restricted Fund	Plant Fund	Total
State of Michigan	\$ 5,454			\$ 30,321		\$ 35,775
Federal government	11,503			29,685		41,188
Other local units	11,790					11,790
Students	113,587					113,587
Sundry	<u>106,822</u>		<u>\$ 26,109</u>			<u>132,931</u>
TOTALS	<u>\$ 249,156</u>	<u>\$ 0</u>	<u>\$ 26,109</u>	<u>\$ 60,006</u>	<u>\$ 0</u>	<u>\$ 335,271</u>

### NOTE D – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2008, were as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Land	\$ 95,968			\$ 95,968
Land improvements	1,330,628	\$ 15,390		1,346,018
Buildings	15,484,832			15,484,832
Equipment	<u>4,442,903</u>	<u>317,474</u>	<u>\$ 89,950</u>	<u>4,670,427</u>
	\$ 21,354,331	\$ 332,864	\$ 89,950	\$ 21,597,245
Accumulated depreciation:				
Land improvements	\$ 652,176	\$ 41,215		\$ 693,391
Buildings	5,292,449	306,062		5,598,511
Equipment	<u>2,955,917</u>	<u>300,257</u>	<u>\$ 89,950</u>	<u>3,166,224</u>
	<u>\$ 8,900,542</u>	<u>\$ 647,534</u>	<u>\$ 89,950</u>	<u>\$ 9,458,126</u>
	\$ 12,453,789	\$ (314,670)	\$ 0	\$ 12,139,119
Construction in progress		<u>56,460</u>		<u>56,460</u>
	<u>\$ 12,453,789</u>	<u>\$ (258,210)</u>	<u>\$ 0</u>	<u>\$ 12,195,579</u>

All depreciation expense was not allocable to specific functions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS (CONTINUED)

The construction in progress as of June 30, 2008, consisted of \$56,460 for the campus security lock-down system. The total system is expected to cost \$103,020 and be completed during the year ending June 30, 2009.

NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT

The \$600,000 note payable recorded in the General Fund is from a \$1,000,000 State Anticipation Note payable to a bank, due on September 10, 2008. Interest accrued on the note is payable on a monthly basis at an interest rate of 4.450%.

Changes in long-term debt are summarized as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
1998 Refunding Bonds	\$ 1,145,000		\$ 210,000	\$ 935,000	\$ 215,000
Community College Facilities					
Bonds, Series 2006	2,728,525		78,822	2,649,703	82,814
Capital Leases Payable	354,376	\$ 58,801	113,373	299,804	70,695
Note Payable	11,960		11,960		
Deferred Compensation Payable	94,500		46,500	48,000	34,667
	<u>\$ 4,334,361</u>	<u>\$ 58,801</u>	<u>\$ 460,655</u>	<u>\$ 3,932,507</u>	<u>\$ 403,176</u>

The aggregate amounts of long-term debt principal and interest maturities for the five years ending June 30, 2013, and five year totals to maturity, are:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 403,176	\$ 184,010	\$ 587,186
2010	452,824	171,588	624,412
2011	438,037	148,991	587,028
2012	346,042	128,070	474,112
2013	100,906	111,206	212,112
2014-2018	586,548	474,010	1,060,558
2019-2023	750,880	309,678	1,060,558
2024-2028	<u>854,094</u>	<u>100,410</u>	<u>954,504</u>
	<u>\$ 3,932,507</u>	<u>\$ 1,627,963</u>	<u>\$ 5,560,470</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT (CONTINUED)

1998 Refunding Bonds

The 1998 Refunding Bonds, Series 1998 consist of general obligation bonds, the proceeds of which were used to refund a portion of the College Building and Site Bonds, Series 1992. The principal and interest are secured by the College's pledge of its full faith, credit and tax revenues.

Data relative to the bonds at June 30, 2008, were as follows:

1998 Refunding Bonds, Series 1998 issued May 19, 1998

Amount of original issue - \$2,170,000

Principal outstanding at June 30, 2008 - \$935,000

Interest rates - range from 4.65% to 4.8%

Payment dates - Interest on November 1 and May 1 and principal on May 1

Debt service charges until maturity are as follows:

<u>Year ending June 30.</u>	<u>Rate of Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.65%	\$ 215,000	\$ 44,207	\$ 259,207
2010	4.70%	230,000	34,210	264,210
2011	4.75%	240,000	23,400	263,400
2012	4.80%	<u>250,000</u>	<u>12,000</u>	<u>262,000</u>
		<u>\$ 935,000</u>	<u>\$ 113,817</u>	<u>\$ 1,048,817</u>

The Bonds or portions of Bonds in multiples of \$5,000, maturing on or after May 1, 2009, are subject to redemption prior to maturity at the option of the College in such order as the College may determine, by lot within any maturity, on any interest payment date occurring on or after May 1, 2008, at par and accrued interest to the date fixed for redemption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT (CONTINUED)

Community College Facilities Bonds, Series 2006

On December 20, 2005, the College passed a resolution to issue \$2,757,630 of Community College Facilities Bonds, Series 2006 for the purpose of constructing dormitory facilities on the campus. The Bonds are dated January 25, 2006, mature December 15, 2027, and bear an interest rate of 4.95%. The bonds are payable the 15<sup>th</sup> of each month with an interest only payment of \$11,334 through March 15, 2007 and principal and interest payments totaling \$17,676 each month until maturity. Bond issuance costs were \$131,167 and are being amortized over the bond repayment period. A summary of the annual principal and interest requirements until maturity follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 82,814	\$ 129,298	\$ 212,112
2010	87,007	125,105	212,112
2011	91,413	120,699	212,112
2012	96,042	116,070	212,112
2013	100,905	111,206	212,111
2014	106,015	106,097	212,112
2015	111,384	100,728	212,112
2016	117,023	95,089	212,112
2017	122,950	89,162	212,112
2018	129,176	82,936	212,112
2019	135,717	76,395	212,112
2020	142,590	69,522	212,112
2021	149,810	62,302	212,112
2022	157,396	54,716	212,112
2023	165,367	46,745	212,112
2024	173,741	38,371	212,112
2025	182,539	29,573	212,112
2026	191,782	20,330	212,112
2027	201,494	10,618	212,112
2028	<u>104,538</u>	<u>1,514</u>	<u>106,052</u>
	<u>\$ 2,649,703</u>	<u>\$ 1,486,476</u>	<u>\$ 4,136,179</u>

The bonds shall not be subject to redemption prior to maturity prior to October 1, 2009. The bonds shall be subject to optional redemption in whole or in part in such order as the College may determine on any date on or after October 1, 2009, at the following redemption prices plus accrued interest to the redemption date:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT (CONTINUED)

Community College Facilities Bonds, Series 2006 (Continued)

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
October 1, 2009, through September 30, 2011, inclusive	101%
October 1, 2011, and thereafter	100%

Capital Leases Payable

On June 30, 2008, the College was obligated under six capital lease agreements. A capital lease to finance the purchase of a snow groomer was entered into during the year ended June 30, 2008. Two capital leases were entered into during the year ended June 30, 2007, to finance the purchase of a new accounting and student information system. Three leases were entered into in prior years and were to finance the purchase of postage meter attachments. These assets and the related liabilities are recorded in the Plant Fund. Data relative to these capital leases at June 30, 2008, was as follows:

	<u>Smart Mailer</u>	<u>Insert/ Folding Machine</u>	<u>Printer</u>	<u>Computer Software</u>	<u>Computer Equipment</u>	<u>Sno Groomer</u>
Capital asset cost	\$ 3,026	\$ 3,962	\$ 2,572	\$ 469,349	\$ 5,325	\$ 58,801
Date of lease	12/30/05	12/30/05	12/30/05	7/31/06	7/31/06	10/1/07
Annual payments						\$ 21,795
Semi annual payments including interest				\$ 55,002	\$ 756	
Quarterly payment including interest	\$ 228	\$ 300	\$ 195			
Interest rate	9.986%	9.744%	9.812%	5.986%	13.877%	5.50%
Minimum lease payments						
June 30,:						
2009	\$ 912	\$ 1,200	\$ 780	\$ 55,002	\$ 1,512	\$ 21,795
2010	456	600	390	110,004	1,512	21,795
2011				110,004	1,512	
Future net minimum payment	\$ 1,368	\$ 1,800	\$ 1,170	\$ 275,010	\$ 4,536	\$ 43,590
Less amount for interest	<u>112</u>	<u>132</u>	<u>86</u>	<u>23,065</u>	<u>926</u>	<u>3,349</u>
Present value of future net minimum lease payments	<u>\$ 1,256</u>	<u>\$ 1,668</u>	<u>\$ 1,084</u>	<u>\$ 251,945</u>	<u>\$ 3,610</u>	<u>\$ 40,241</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT (CONTINUED)

#### Deferred Compensation Payable

Deferred compensation payable consists of early retirement incentives that the College pays to instructors, secretaries and custodians as required by the union contract and to administrators and support staff per Board policy. The College currently has six employees each receiving early retirement incentives of \$4,000 to \$6,667 each year with total payments of \$12,000 to \$20,000. Following is a summary of future required payments:

	<u>Amount</u>
Cash payments during year ending:	
June 30, 2009	\$ 34,667
June 30, 2010	<u>13,333</u>
	<u>\$ 48,000</u>

### NOTE F – EMPLOYEE RETIREMENT SYSTEMS

#### Defined Benefit Plan

Substantially all of the College's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing public employee retirement system. The MPSERS plan is administered by a nine-member board and provides retirement benefits and postretirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees' Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ended December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1 on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, is refundable.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE F – EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

#### Defined Benefit Plan (Continued)

The College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the period July 1, 2007 to September 30, 2007, was 17.74% and for the period October 1, 2007 to June 30, 2008, was 16.72%. The contribution requirements of Plan members and the College are established and may be amended by the MPSERS Board of Trustees. The College's contributions to MPSERS for the years ended June 30, 2008, 2007 and 2006, were \$653,754, \$705,028 and \$628,400, respectively, equal to the required contributions for each year.

#### Defined Contribution Plan

Effective July 1, 2007, the College established a 403(b) retirement annuity as required by the State of Michigan. The plan is an alternative to the MPSEER plan and is available to faculty and professional staff and may be elected within the first 90 days of employment or there is a status change from part time to full time. The plan is provided by TIAA-CREF and requires the employee to contribute 4% and the College to contribute 11%. The vesting of this plan is full and immediate upon enrollment. The College's contribution to the plan for the year ended June 30, 2008, was \$26,706.

#### Other Postemployment Benefits

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage subject to deductibles and retiree contributions. These benefits are included in the required contributions referred to above.

### NOTE G – OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note F, the College pays the retirees' portion of health insurance costs of certain retirees until the retiree is eligible for Medicare benefits. The employee must be eligible for early retirement under the Michigan Public School Retirement System. Currently, the College has eighteen employees who have elected early retirement and are receiving this benefit. The payments are recorded as current expenditures when paid and amounted to \$38,556 and \$38,392 during the years ended June 30, 2008 and 2007, respectively.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE H – RISK MANAGEMENT

The College is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the General Fund and Auxiliary Enterprise Fund of the College. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the College as of June 30, 2008, will not materially affect the financial condition of the College. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### NOTE I – COLLECTIVE BARGAINING AGREEMENTS

Approximately 72% of the College employees are covered by a collective bargaining agreement. 8% are part of the American Federation of State, County, and Municipal Employees, AFLCIO with a contract period ending June 30, 2007. This bargaining unit has been without a contract since June 30, 2007, and is currently in negotiations. 19% are part of the Education Support Personnel, WUPEA/MEA-NEA with a contract period ending June 30, 2008. This bargaining unit is in the process of negotiating a new contract. 45% belong to the Michigan Association of Higher Education with a contract period that ended August 15, 2008, with a new one year contract ratified in September 2008.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE J – CAPITAL LEASE OBLIGATION

During the year ended June 30, 2002, the College completed a general campus renovation project to repair and replace exterior stucco and entryways to various buildings at a total cost of approximately \$1,362,000. The project was financed by grants from the State of Michigan totaling \$700,200 with the remainder by Michigan State Building Authority (SBA) Revenue Bonds. The SBA bond issue is secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement among the SBA, the State of Michigan and the College. During the lease term, which is not to exceed 35 years, the SBA will hold title to the building, the State of Michigan will make all lease payments to the SBA and the College will pay all operating and maintenance costs. At the expiration of the lease, which is when bonds are paid off, the SBA has agreed to convey the title to the College for one dollar.

During the year ended June 30, 2007, the college completed three campus renovation/maintenance projects to repair elevators, replace chemical exhaust in Biology and Chemistry rooms, and to replace all roofs on campus at a total cost of \$999,019. The project was financed by grants from the SBA for \$998,919 with the remainder to be appropriated by the State of Michigan. The SBA bond issue is secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement among the SBA, State of Michigan, and the College. During the lease term, which is not to exceed 20 years the SBA will hold title to the buildings, the State of Michigan will make all lease payment to the SBA and the College will pay all operating expenses and maintenance costs. At the expiration of the lease, which is when bonds are paid off, the SBA has agreed to convey the title to the College for one dollar.

The College has entered into other capital lease arrangements, which are described in Note E along with long-term debt.

### NOTE K – ACCOUNT RECLASSIFICATIONS

The GASB has clarified its position on the reporting of Pell grants. The GASB requires the Pell grant revenue to be reported as nonoperating revenue. This change has been incorporated in the Statement of Revenues, Expenses and Changes in Net Assets for the year end June 30, 2008. The format for the year end June 30, 2007, has been changed to report the Pell revenues consistently.

OTHER  
FINANCIAL  
INFORMATION

CONSOLIDATING STATEMENT OF NET ASSETS  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2008

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
ASSETS									
CURRENT ASSETS									
Cash	\$ 266,903	\$ 288,548	\$ 34,740	\$ 70,480		\$ 5,182			\$ 665,853
Investments		3,227				101,369			104,596
State appropriation receivable	765,037								765,037
Property taxes receivable (net of \$4,722 allowance)	7,835								7,835
Other accounts receivable	249,156		26,109	60,006					335,271
Inventories	11,323		143,595						154,918
Prepaid expenses and other assets	100,909		2,039						102,948
Due from (due to) other funds	<u>250,951</u>	<u>(1,128)</u>	<u>(143,533)</u>	<u>(119,265)</u>		<u>12,833</u>	<u>\$ 142</u>		
TOTAL CURRENT ASSETS	\$1,652,114	\$ 290,647	\$ 62,950	\$ 11,221		\$ 119,384	\$ 142		\$ 2,136,458
NONCURRENT ASSETS									
Bond issuance costs, net of amortization						116,649			116,649
Capital assets, net of accumulated depreciation						<u>12,195,579</u>			<u>12,195,579</u>
TOTAL ASSETS	<u>\$1,652,114</u>	<u>\$ 290,647</u>	<u>\$ 62,950</u>	<u>\$ 11,221</u>	<u>\$ 0</u>	<u>\$12,431,612</u>	<u>\$ 142</u>	<u>\$ 0</u>	<u>\$ 14,448,686</u>

CONSOLIDATING STATEMENT OF NET ASSETS (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts payable	\$ 177,778	\$ 1,180	\$ 4,691						\$ 183,649
Salaries, wages and related liabilities payable	378,390								378,390
Interest payable						\$ 12,833			12,833
Note payable	600,000								600,000
Due to depositors and other liabilities	18,750		15,950				\$ 142		34,842
Deferred revenue	18,597			\$ 1,400					19,997
Current portion of long-term debt	<u>34,667</u>					<u>368,509</u>			<u>403,176</u>
TOTAL CURRENT LIABILITIES	\$1,228,182	\$ 1,180	\$ 20,641	\$ 1,400		\$ 381,342	\$ 142		\$ 1,632,887
LONG-TERM DEBT, net of current portion	<u>13,333</u>					<u>3,515,998</u>			<u>3,529,331</u>
TOTAL LIABILITIES	\$1,241,515	\$ 1,180	\$ 20,641	\$ 1,400		\$ 3,897,340	\$ 142		\$ 5,162,218
NET ASSETS									
Invested in capital assets, net of related debt						\$ 8,311,072			\$ 8,311,072
Net assets restricted for:									
Instructional Support		\$ 166,355							166,355
Expendable scholarships		31,949		\$ 9,821					41,770
Other		91,163							91,163
Unrestricted	<u>\$ 410,599</u>		<u>\$ 42,309</u>			<u>223,200</u>			<u>676,108</u>
TOTAL NET ASSETS	<u>\$ 410,599</u>	<u>\$ 289,467</u>	<u>\$ 42,309</u>	<u>\$ 9,821</u>	<u>\$ 0</u>	<u>\$ 8,534,272</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,286,468</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,652,114</u>	<u>\$ 290,647</u>	<u>\$ 62,950</u>	<u>\$ 11,221</u>	<u>\$ 0</u>	<u>\$ 12,431,612</u>	<u>\$ 142</u>	<u>\$ 0</u>	<u>\$ 14,448,686</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2008

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Endowment Fund	Plant Fund	Eliminations	Consolidated Total
<b>OPERATING REVENUES</b>								
Tuition and fees	\$ 2,715,280						\$ 1,336,583	\$ 1,378,697
Federal grants and contracts	56,601			\$ 382,660				439,261
State and local grants and contracts	15,598			289,259				304,857
Intermediate School District rent	22,466							22,466
Sales and Services of Education Activities	27,957	\$ 43,418						71,375
Sales and Services of Auxiliary Enterprises		32,709	\$ 954,689				71,220	916,178
Current funds capital expenditures						\$ 330,523	330,523	
Other revenues	<u>31,564</u>	<u>11,689</u>	<u>23,319</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>66,572</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 2,869,466</b>	<b>\$ 87,816</b>	<b>\$ 978,008</b>	<b>\$ 671,919</b>	<b>\$ 0</b>	<b>\$ 330,523</b>	<b>\$ 1,738,326</b>	<b>\$ 3,199,406</b>
<b>OPERATING EXPENSES</b>								
Instruction	\$ 3,575,241	\$ 112,866		\$ 95,833			\$ 112,647	\$ 3,671,293
Instruction support	703,892	13,022					15,897	701,017
Information technology	213,355	117,526					62,289	268,592
Student services	960,696	70,038	\$ 848,669	1,903,350			1,462,858	2,319,895
Institutional administration	1,006,167	189,199					174,038	1,021,328
Operation and maintenance of plant	740,697							740,697
Independent operations			206,455					206,455
Depreciation and amortization expense, unallocated	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>\$ 653,541</u>	<u>          </u>	<u>653,541</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 7,200,048</b>	<b>\$ 502,651</b>	<b>\$ 1,055,124</b>	<b>\$ 1,999,183</b>	<b>\$ 0</b>	<b>\$ 653,541</b>	<b>\$ 1,827,729</b>	<b>\$ 9,582,818</b>
<b>OPERATING LOSS</b>	<b>\$ (4,330,582)</b>	<b>\$ (414,835)</b>	<b>\$ (77,116)</b>	<b>\$ (1,327,264)</b>	<b>\$ 0</b>	<b>\$ (323,018)</b>	<b>\$ (89,403)</b>	<b>\$ (6,383,412)</b>

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Endowment Fund	Plant Fund	Eliminations	Consolidated Total
NONOPERATING REVENUE (EXPENSES)								
State appropriation	\$ 4,207,700							\$ 4,207,700
Federal grants and contracts				\$ 1,231,705				1,231,705
Property tax levy	1,214,527							1,214,527
Gifts		\$ 87,333	\$ 32,090	89,403			\$ 89,403	119,423
Investment income	18,736	7,940	140	475		6,109		33,400
Interest on capital asset related debt						(209,347)		(209,347)
NET NONOPERATING REVENUE	<u>\$ 5,440,963</u>	<u>\$ 95,273</u>	<u>\$ 32,230</u>	<u>\$ 1,321,583</u>	<u>\$ 0</u>	<u>\$ (203,238)</u>	<u>\$ 89,403</u>	<u>\$ 6,597,408</u>
INCOME (LOSS) BEFORE OTHER REVENUE AND TRANSFERS	\$ 1,110,381	\$ (319,562)	\$ (44,886)	\$ (5,681)	\$ 0	\$ (526,256)	\$ 0	\$ 213,996
OTHER REVENUE AND TRANSFERS								
Transfers in (out)	<u>(1,109,780)</u>	<u>416,203</u>	<u>37,474</u>	<u>12,421</u>		<u>643,682</u>		
INCREASE (DECREASE) IN NET ASSETS	\$ 601	\$ 96,641	\$ (7,412)	\$ 6,740	\$ 0	\$ 117,426	\$ 0	\$ 213,996
NET ASSETS - BEGINNING OF YEAR	<u>409,998</u>	<u>192,826</u>	<u>49,721</u>	<u>3,081</u>		<u>8,416,846</u>		<u>9,072,472</u>
NET ASSETS - END OF YEAR	<u>\$ 410,599</u>	<u>\$ 289,467</u>	<u>\$ 42,309</u>	<u>\$ 9,821</u>	<u>\$ 0</u>	<u>\$ 8,534,272</u>	<u>\$ 0</u>	<u>\$ 9,286,468</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATING STATEMENT OF NET ASSETS  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2007

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
ASSETS									
CURRENT ASSETS									
Cash	\$ 289,815	\$ 256,674	\$ 14,283	\$ 31,160		\$ 4,985			\$ 596,917
Investments		3,000				75,457			78,457
State appropriation receivable	677,745								677,745
Property taxes receivable (net of \$4,816 allowance)	7,780								7,780
Other accounts receivable	237,100		31,777	82,749					351,626
Inventories	22,356		108,529						130,885
Prepaid expenses and other assets	162,976		3,243						166,219
Due from component unit				2,000					2,000
Due from (due to) other funds	<u>244,642</u>	<u>(63,998)</u>	<u>(96,874)</u>	<u>(100,429)</u>		<u>14,443</u>	<u>\$ 2,216</u>		
TOTAL CURRENT ASSETS	\$1,642,414	\$ 195,676	\$ 60,958	\$ 15,480		\$ 94,885	\$ 2,216		\$ 2,011,629
NONCURRENT ASSETS									
Bond issuance costs, net of amortization						122,656			122,656
Capital assets, net of accumulated depreciation						<u>12,453,789</u>			<u>12,453,789</u>
TOTAL ASSETS	<u>\$1,642,414</u>	<u>\$ 195,676</u>	<u>\$ 60,958</u>	<u>\$ 15,480</u>	<u>\$ 0</u>	<u>\$ 12,671,330</u>	<u>\$ 2,216</u>	<u>\$ 0</u>	<u>\$ 14,588,074</u>



CONSOLIDATING STATEMENT OF NET ASSETS (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Endowment Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Accounts payable	\$ 71,665	\$ 2,850	\$ 2,387						\$ 76,902
Salaries, wages and related liabilities payable	273,787								273,787
Interest payable	31,552					\$ 14,623			46,175
Note payable	750,000								750,000
Due to depositors and other liabilities	5,800		4,850				\$ 2,216		12,866
Deferred revenue	9,112			\$ 12,399					21,511
Current portion of long-term debt	<u>42,500</u>		<u>4,000</u>			<u>349,513</u>			<u>396,013</u>
TOTAL CURRENT LIABILITIES	\$1,184,416	\$ 2,850	\$ 11,237	\$ 12,399		\$ 364,136	\$ 2,216		\$ 1,577,254
LONG-TERM DEBT, net of current portion	<u>48,000</u>					<u>3,890,348</u>			<u>3,938,348</u>
TOTAL LIABILITIES	\$1,232,416	\$ 2,850	\$ 11,237	\$ 12,399		\$ 4,254,484	\$ 2,216		\$ 5,515,602
NET ASSETS									
Invested in capital assets, net of related debt						\$ 8,336,584			\$ 8,336,584
Net assets restricted for:									
Instructional Support		\$ 26,904							26,904
Expendable scholarships		15,257		\$ 3,081					18,338
Other		150,665							150,665
Unrestricted	<u>\$ 409,998</u>		<u>\$ 49,721</u>			<u>80,262</u>			<u>539,981</u>
TOTAL NET ASSETS	<u>\$ 409,998</u>	<u>\$ 192,826</u>	<u>\$ 49,721</u>	<u>\$ 3,081</u>	<u>\$ 0</u>	<u>\$ 8,416,846</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,072,472</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,642,414</u>	<u>\$ 195,676</u>	<u>\$ 60,958</u>	<u>\$ 15,480</u>	<u>\$ 0</u>	<u>\$ 12,671,330</u>	<u>\$ 2,216</u>	<u>\$ 0</u>	<u>\$ 14,588,074</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2007

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Endowment Fund	Plant Fund	Eliminations	Consolidated Total
<b>OPERATING REVENUES</b>								
Tuition and fees	\$ 2,507,103						\$ 1,161,950	\$ 1,345,153
Federal grants and contracts	78,434			\$ 372,957				451,391
State and local grants and contracts	21,169			328,928				350,097
Intermediate School District rent	18,217							18,217
Sales and Services of Education Activities	36,044	\$ 46,405						82,449
Sales and Services of Auxiliary Enterprises		27,390	\$ 816,527				59,937	783,980
Current funds capital expenditures						\$ 209,857	209,857	
Other revenues	<u>13,779</u>	<u>5,025</u>	<u>16,503</u>					<u>35,307</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 2,674,746</b>	<b>\$ 78,820</b>	<b>\$ 833,030</b>	<b>\$ 701,885</b>		<b>\$ 209,857</b>	<b>\$ 1,431,744</b>	<b>\$ 3,066,594</b>
<b>OPERATING EXPENSES</b>								
Instruction	\$ 3,407,189	\$ 69,521		\$ 194,910			\$ 109,572	\$ 3,562,048
Instruction support	620,914	53,800					50,970	623,744
Information technology	202,890	16,122					16,152	202,860
Student services	913,853	27,542	\$ 764,328	1,632,711			1,231,944	2,106,490
Institutional administration	1,118,764	158,719					55,592	1,221,891
Operation and maintenance of plant	657,055	9,048					9,048	657,055
Independent operations		38,140	160,184				13,316	185,008
Depreciation and amortization expense, unallocated						\$ 592,601		592,601
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 6,920,665</b>	<b>\$ 372,892</b>	<b>\$ 924,512</b>	<b>\$ 1,827,621</b>	<b>\$ 0</b>	<b>\$ 592,601</b>	<b>\$ 1,486,594</b>	<b>\$ 9,151,697</b>
<b>OPERATING (LOSS)</b>	<b>\$ (4,245,919)</b>	<b>\$ (294,072)</b>	<b>\$ (91,482)</b>	<b>\$ (1,125,736)</b>	<b>\$ 0</b>	<b>\$ (382,744)</b>	<b>\$ (54,850)</b>	<b>\$ (6,085,103)</b>

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Endowment Fund	Plant Fund	Eliminations	Consolidated Total
NONOPERATING REVENUE (EXPENSES)								
State appropriation	\$ 4,044,400							\$ 4,044,400
State special maintenance grant						\$ 599,139		599,139
Federal grants and contracts				\$ 1,044,455				1,044,455
Property tax levy	1,142,337							1,142,337
Gifts		\$ 43,020	\$ 27,334	54,850		10,170	\$ 54,850	80,524
Investment income	31,470	5,897	529	(1,578)		3,799		40,117
Interest on capital asset related debt						(216,126)		(216,126)
NET NONOPERATING REVENUE	<u>\$ 5,218,207</u>	<u>\$ 48,917</u>	<u>\$ 27,863</u>	<u>\$ 1,097,727</u>	<u>\$ 0</u>	<u>\$ 396,982</u>	<u>\$ 54,850</u>	<u>\$ 6,734,846</u>
INCOME (LOSS) BEFORE OTHER REVENUE AND TRANSFERS	\$ 972,288	\$ (245,155)	\$ (63,619)	\$ (28,009)	\$ 0	\$ 14,238	\$ 0	\$ 649,743
OTHER REVENUE AND TRANSFERS - Transfers in (out)	<u>(830,888)</u>	<u>169,735</u>	<u>99,364</u>	<u>(2,796)</u>	<u>(386,204)</u>	<u>564,585</u>		<u>(386,204)</u>
INCREASE (DECREASE) IN NET ASSETS	\$ 141,400	\$ (75,420)	\$ 35,745	\$ (30,805)	\$ (386,204)	\$ 578,823	\$ 0	\$ 263,539
NET ASSETS - BEGINNING OF YEAR	<u>268,598</u>	<u>268,246</u>	<u>13,976</u>	<u>33,886</u>	<u>386,204</u>	<u>7,838,023</u>		<u>8,808,933</u>
NET ASSETS - END OF YEAR	<u>\$ 409,998</u>	<u>\$ 192,826</u>	<u>\$ 49,721</u>	<u>\$ 3,081</u>	<u>\$ 0</u>	<u>\$ 8,416,846</u>	<u>\$ 0</u>	<u>\$ 9,072,472</u>

The accompanying notes are an integral part of the financial statements.

DETAILS OF GENERAL FUND EXPENSES  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

	Year ended June 30,					
	2008					2007
	Salaries	Fringe Benefits	Supplies and Expenses	Capital Outlay	Total	Total
Instruction:						
Fine and performing arts and humanities	\$ 101,696	\$ 42,862	\$ 3,015		\$ 147,573	\$ 132,613
Communication	244,045	126,778	1,377		372,200	364,830
Social science	268,282	120,265	1,349		389,896	404,661
Mathematics	191,549	84,396	1,522		277,467	278,138
Sciences	225,009	100,016	12,347		337,372	317,295
Physical education	11,130	5,120	2,660		18,910	29,419
Health education	4,300	328	845		5,473	4,368
Business	181,917	73,132	13,959		269,008	286,913
Computer science and data processing	163,556	39,969	2,447		205,972	210,120
Secretarial and office	48,723	54,877	3,684		107,284	112,152
Public service	104,774	40,755	1,396		146,925	141,672
Media production and related technologies	17,325	7,502	2,920		27,747	91,354
Personal service trades related technologies	67,219	36,279	11,870		115,368	98,476
Design technologies	90,336	43,628	20,467		154,431	152,324
Mechanical trades and mechanical service technologies	65,942	35,658	41,829		143,429	127,793
Construction trade technologies	39,976	24,415	2,259		66,650	65,812
Electrical trades	35,893	16,553	8,067		60,513	54,380
Transportation and equipment operation	16,730	11,729	21,707		50,166	50,268
Nursing	371,091	147,738	61,340		580,169	406,893
Health related science	6,082	1,477			7,559	
Traditional classroom	37,554	15,698	148		53,400	40,545
Learning labs/self-paced instruction	3,342				3,342	12,827
Human Development	14,494	15,404	390		30,288	21,239
Personal interest	<u>3,276</u>	<u>823</u>			<u>4,099</u>	<u>3,097</u>
Total Instruction	\$ 2,314,241	\$ 1,045,402	\$ 215,598		\$ 3,575,241	\$ 3,407,189
Instructional Support:						
Library services	\$ 44,915	\$ 25,766	\$ 21,122	\$ 27,953	\$ 119,756	\$ 99,005
Education media services	44,577	25,766	21,123		91,466	87,872

DETAILS OF GENERAL FUND EXPENSES (CONTINUED)

	Year ended June 30,					
	2008					2007
	Salaries	Fringe Benefits	Supplies and Expenses	Capital Outlay	Total	Total
Instructional administration and support	300,583	121,224	38,758		460,565	408,529
Instructional facility rental			32,105		32,105	25,508
Total Instructional Support	\$ 390,075	\$ 172,756	\$ 113,108	\$ 27,953	\$ 703,892	\$ 620,914
Information Technology	105,247	55,905	52,203		213,355	202,890
Student Services:						
Student service administration	\$ 107,844	\$ 59,303	\$ 13,934		\$ 181,081	\$ 175,922
Social and cultural development	13,611	2,799	14,797		31,207	22,316
Counseling and guidance and special student services	61,246	50,721	88		112,055	105,813
Financial aid and placement	94,883	52,874	82,103		229,860	211,744
Auxiliary	19,279				19,279	23,336
Intercollegiate athletics	37,015	8,554	63,652		109,221	110,887
Student recruitment, admissions and records	71,441	70,844	135,708		277,993	263,835
Total Student Services	\$ 405,319	\$ 245,095	\$ 310,282		\$ 960,696	\$ 913,853
Institutional Administration:						
Executive management	\$ 87,190	\$ 38,827	\$ 128,907		\$ 254,924	\$ 391,477
Public Relations	25,720	6,268	15,328		47,316	40,042
General administration and instructional services	315,779	155,834	232,314		703,927	687,245
Total Institutional Administration	\$ 428,689	\$ 200,929	\$ 376,549		\$ 1,006,167	\$ 1,118,764
Physical Plant Operations:						
Physical plant administration			\$ 2,869		\$ 2,869	\$ 6,620
Building and grounds maintenance and repairs	\$ 53,060	\$ 38,309	141,125		232,494	188,785
Custodial services	148,344	104,096	26,922		279,362	264,892
Energy services			225,972		225,972	196,758
Total Physical Plant Operations	\$ 201,404	\$ 142,405	\$ 396,888		\$ 740,697	\$ 657,055
TOTALS	<u>\$ 3,844,975</u>	<u>\$ 1,862,492</u>	<u>\$ 1,464,628</u>	<u>\$ 27,953</u>	<u>\$ 7,200,048</u>	<u>\$ 6,920,665</u>

The accompanying notes are an integral part of the financial statements.

DETAILS OF AUXILIARY ACTIVITIES FUND  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2008

	Revenues				Expenses					
	Net Assets July 1, 2007	Sales and Services	Other	Total	Salaries and Fringe Benefits	Supplies and Expenses	Total	Revenues Over (Under) Expenses	Net Transfers In (Out)	Net Assets June 30, 2008
Food operations		\$ 45,947	\$ 2,046	\$ 47,993	\$ 36,687	\$ 29,856	\$ 66,543	\$ (18,550)	\$ 18,550	
Student facilities:										
Bookstore	\$ 35,417	\$ 493,546	\$ 7,226	\$ 500,772	\$ 53,926	\$ 404,059	\$ 457,985	\$ 42,787	\$ (35,895)	\$ 42,309
Residential Housing	14,304	232,757	6,117	238,874	29,270	55,557	84,827	154,047	(168,351)	
Lindquist Student Center		63,968	25,389	89,357	92,726	146,588	239,314	(149,957)	149,957	
	\$ 49,721	\$ 790,271	\$ 38,732	\$ 829,003	\$ 175,922	\$ 606,204	\$ 782,126	\$ 46,877	\$ (54,289)	\$ 42,309
Independent operations - Mt. Zion		118,471	14,771	133,242	130,180	76,275	206,455	(73,213)	73,213	
TOTALS	<u>\$ 49,721</u>	<u>\$ 954,689</u>	<u>\$ 55,549</u>	<u>\$ 1,010,238</u>	<u>\$ 342,789</u>	<u>\$ 712,335</u>	<u>\$ 1,055,124</u>	<u>\$ (44,886)</u>	<u>\$ 37,474</u>	<u>\$ 42,309</u>

The accompanying notes are an integral part of the financial statements.

DETAILS OF AUXILIARY ACTIVITIES FUND  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2007

	Revenues				Expenses					
	Net Assets July 1, 2006	Sales and Services	Other	Total	Salaries and Fringe Benefits	Supplies and Expenses	Total	Revenues Over (Under) Expenses	Net Transfers In (Out)	Net Assets June 30, 2007
Food operations		\$ 40,431	\$ 436	\$ 40,867	\$ 34,063	\$ 22,557	\$ 56,620	\$ (15,753)	\$ 15,753	
Student facilities:										
Bookstore	\$ 13,976	\$ 453,754	\$ 8,292	\$ 462,046	\$ 48,780	\$ 356,592	\$ 405,372	\$ 56,674	\$ (35,233)	\$ 35,417
Residential Housing		152,562	2,547	155,109	24,925	58,586	83,511	71,598	(57,294)	14,304
Lindquist Student Center		<u>67,495</u>	<u>21,191</u>	<u>88,686</u>	<u>82,864</u>	<u>135,961</u>	<u>218,825</u>	<u>(130,139)</u>	<u>130,139</u>	
	\$ 13,976	\$ 673,811	\$ 32,030	\$ 705,841	\$ 156,569	\$ 551,139	\$ 707,708	\$ (1,867)	\$ 37,612	\$ 49,721
Independent operations - Mt. Zion		<u>102,285</u>	<u>11,900</u>	<u>114,185</u>	<u>103,853</u>	<u>56,331</u>	<u>160,184</u>	<u>(45,999)</u>	<u>45,999</u>	
TOTALS	<u>\$ 13,976</u>	<u>\$ 816,527</u>	<u>\$ 44,366</u>	<u>\$ 860,893</u>	<u>\$ 294,485</u>	<u>\$ 630,027</u>	<u>\$ 924,512</u>	<u>\$ (63,619)</u>	<u>\$ 99,364</u>	<u>\$ 49,721</u>

The accompanying notes are an integral part of the financial statements.

## SCHEDULE OF EXPENDITURES

## COMMUNITY COLLEGE DISTRICT

Year ended

Federal Grantor Pass Through Grantor Program Title	Project Number	Federal C.F.D.A. Number	Approved Grant Award Amount
<u>U. S. Department of Education</u>			
Direct from the U.S. Treasury:			
Student Financial Assistance Programs: *			
Pell Grant (2006-2007)	P063P061633	84.063	\$ 1,044,455
Pell Grant (2007-2008)	P063P071633	84.063	1,231,705
Supplemental Education Opportunity Grant (2006-2007) (Note 4)	P007A062008	84.007	22,654
Supplemental Education Opportunity Grant (2007-2008) (Note 4)	P007A072008	84.007	22,654
College Work-Study Program (2006-2007) (Note 4)	P033A062008	84.033	58,605
College Work-Study Program (2007-2008) (Note 4)	P033A072008	84.033	58,605
Academic Competitiveness Grant (2006-2007)	P0375A061633	84.375	13,900
Academic Competitiveness Grant (2007-2008)	P0375A071633	84.375	<u>22,300</u>
Total Student Financial Assistance Programs			\$ 2,474,878
TRIO - Student Support Services Grants:		84.042A	
(9/1/06 to 8/31/07) (Note 4)	P042A050444		235,689
(9/1/07 to 8/31/08) (Note 5)	P042A050444		<u>235,689</u>
Total Direct From the U.S. Treasury			\$ 2,946,256
Passed through the Michigan Department of Education:			
Carl D. Perkins Voc Ed Grants:		84.048A	
Program Improvement (2006-2007)	07351070216		\$ 92,178
Program Improvement (2007-2008)	08351060216		88,091
Fast Track (2005-2006) (Note 6)	06329060296		1,000
Fast Track (2007-2008)	08329060296		1,000
Local Administration (2006-2007)	07325070256		18,400
Local Administration (2007-2008)	06325060256		18,400
Career Guidance	063490729CT6		<u>5,000</u>
Total Passed Through Michigan Department of Education			\$ <u>224,069</u>
TOTAL FEDERAL AWARDS			\$ <u>3,170,325</u>



OF FEDERAL AWARDS

OF GOGEBIC COUNTY

June 30, 2008

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2007	Adjustments	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred/A/P) Revenue June 30, 2008
\$ 1,044,455	\$ 19,917		\$ 19,917 1,220,077	\$ 1,231,705	\$ 11,628
29,822	254	\$ (7,168)	254		
		(14,501)	37,151	37,155	4
57,774	31,336	831	31,336		
		22,929	24,173	35,676	11,503
13,900	4,600		4,600		
			21,475	22,300	825
\$ 1,145,951	\$ 56,107	\$ 2,091	\$ 1,358,983	\$ 1,326,836	\$ 23,960
213,994	20,452		42,147	21,695	
		23,270	195,191	212,419	17,228
\$ 1,359,945	\$ 76,559	\$ 25,361	\$ 1,596,321	\$ 1,560,950	\$ 41,188
\$ 92,178	\$ 2,628		\$ 2,628		
			88,091	\$ 88,091	
1,000	1,000	\$ (1,000)			
			1,000	1,000	
18,400	3,300		3,300		
			18,400	18,400	
4,993	493		493		
\$ 116,571	\$ 7,421	\$ (1,000)	\$ 113,912	\$ 107,491	\$ 0
\$ 1,476,516	\$ 83,980	\$ 24,361	\$ 1,710,233	\$ 1,668,441	\$ 41,188

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

1. \* Designates a Major Program for Single Audit purposes.
2. This schedule was prepared on the accrual basis of accounting, as were the financial statements. The Student Financial Assistance cluster of programs was considered to be a Type A program (over \$300,000). All other programs were considered Type B. The Student Financial Assistance Program cluster was selected as the major program under the 25% coverage rule for a low-risk auditee.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements. The various required financial reports are in agreement with the financial statements and the amounts reported on the R7120 (Grant Section Auditors Report) and Grant Auditor Report reconcile with this schedule.
4. The amount of award reconciles with the expenditures as follows:

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Amount of award	\$ 58,605	\$ 58,605
Carry from (to) prior year	\$ (2,568)	\$ 3,769
Carry from (to) subsequent year	(5,860)	2,568
Transfer to SEOG	<u>(14,501)</u>	<u>(7,168)</u>
Adjustment	\$ <u>(22,929)</u>	\$ <u>(831)</u>
Current year expenditures	<u>\$ 35,676</u>	<u>\$ 57,774</u>
Expenditures consist of the following:		
Federal share of on-campus wages	\$ 32,208	\$ 57,774
Administrative expenses	<u>3,468</u>	<u></u>
	<u>\$ 35,676</u>	<u>\$ 57,774</u>

5. The unused award will be spent in the College's next fiscal year.
6. Due to errors at the State of Michigan this grant will not be collected.
7. The College participated in the Federal Family Educational Loan Program during the year ended June 30, 2008. A total of 400 loans were processed with \$1,374,953 loaned.
8. The total federal grants and contracts revenue shown in the financial statements exceeds the amount in this schedule by \$2,525. This amount is the administrative allowance for the Pell student financial aid program.

SUPPLEMENTAL  
REPORTS

**JOKI, MAKELA & POLLACK, P.L.L.C.**  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Community College District of Gogebic County  
Ironwood, Michigan

We have audited the financial statements of the business type activities of Gogebic Community College District of Gogebic County and its discretely presented component unit, Gogebic Community College Foundation, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Gogebic Community College District of Gogebic County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community College District of Gogebic County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community College District of Gogebic County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Community College District of Gogebic County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Community College District of Gogebic County's financial statements that is more than inconsequential will not be prevented or detected by the Community College District of Gogebic County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Community College District of Gogebic County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gogebic Community College District of Gogebic County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Joki, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
November 5, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Community College District of Gogebic County  
Ironwood, Michigan

Compliance

We have audited the compliance of Community College District of Gogebic County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. Community College District of Gogebic County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Community College District of Gogebic County's management. Our responsibility is to express an opinion on Community College District of Gogebic County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community College District of Gogebic County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Community College District of Gogebic County's compliance with those requirements.

In our opinion, Community College District of Gogebic County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

## Internal Control Over Compliance

The management of Gogebic Community College District of Gogebic County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gogebic Community College District of Gogebic County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community College District of Gogebic County's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Joki, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
November 5, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2008

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A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Community College District of Gogebic County.
2. There were no significant deficiencies disclosed during the audit of the financial statements to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Community College District of Gogebic County were disclosed during the audit.
4. There were no significant deficiencies disclosed during the audit of the major federal award programs to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Community College District of Gogebic County expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Community College District of Gogebic County required to be reported in Part C of this schedule.
7. The program tested as a major program was the Student Financial Aid Cluster: Pell Grant C.F.D.A. Number 84.063, Supplemental Education Opportunity Grant C.F.D.A. Number 84.007, College Work Study C.F.D.A. Number 84.033 and Academic Competitiveness Grant C.F.D.A. Number 84.375.
8. The threshold for distinguishing Types A programs was \$300,000; the Student Financial Aid cluster was the only Type A program. All other programs were considered to be Type B.
9. Community College District of Gogebic County was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no significant deficiencies disclosed during the financial statements audit.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings and questioned costs related to the federal award programs.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY  
Year ended June 30, 2008

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There were no findings or questioned costs during the prior year audit.